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MOBILIZATION OF FINANCIAL RESOURCES

UNUTILIZED BALANCES OF APPROPRIATIONS, 1992-1993 AND 1996-1997

Report by the Director-General

Reviews the current status of resource mobilization for integrated programmes as well as "stand-alone" activities of UNIDO through the Industrial Development Fund, trust funds and other voluntary contributions. Describes the main programming thrust for 2001 and 2002, presents progress on the mobilization of programmable resources. Also provides information on the utilization of the "unutilized balances" and provides an update in respect of GEF-related activities.

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Introduction

1. The Industrial Development Fund is the central mechanism for extrabudgetary funding for UNIDO technical cooperation activities. Together with the trust fund mechanism it provides UNIDO with the main sources of funds that, in consultation with the respective donors, can be programmed to enable the Organization to deliver its key products to Member States. The importance of extrabudgetary funding for the delivery of the services is underscored by the very limited funding for technical cooperation activities from the regular budget. It is evident that sufficient resources are critical if the newly-focused UNIDO products and the integrated programmes are to become reality.

2. The present document should be considered in conjunction with the Annual Report of UNIDO 1999 (IDB.22/2-PBC.16/2), chapter 3.E of which provides information on the mobilization of funds for UNIDO services. In addition, the report on financing the integrated technical cooperation programmes in developing countries (IDB.22/3), issued to the twenty-second session of the Board provided information on the progress made in the dialogue with Member States to actively sustain common resource mobilization efforts.

I. PROGRAMMING THRUST, 2001-2002

3. For the biennium 2001-2002 the priority in respect of funding under the Industrial Development Fund as well as from other trust funds available to the Organization will continue to be given to the integrated programmes as well as to "stand-alone" activities in countries where no integrated programme is operating. In line with the focus of UNIDO services within the Business Plan priorities, such stand-alone projects will be developed and implemented within the service modules. In terms of geographical distribution, priority will continue to be given to the least developed countries (LDCs) and Africa.

4. In conceptual terms, the focus of activities both within the integrated programmes as well as stand-alone activities and regional programmes, will increasingly be on three interrelated global themes within UNIDO's mandate and the Business Plan:

- Sustainable poverty alleviation (mainly service modules 1, 9, 13, 14, 15 and 16);
- Strengthened capacity of countries to participate in and benefit from the international trade system (mainly service modules 1, 2, 3, 4, 5, 16);
- Environmentally sustainable industrial development (mainly service modules 6, 7, 8, 9, 10, 11).

5. It is anticipated also in terms of impact evaluation that these three themes will become the essential criteria for success or failure. Close cooperation with other international development actors around each of the themes to further enhance credibility and impact will be emphasized.

II. FUNDS MOBILIZATION FOR THE INTEGRATED PROGRAMMES

6. As explained in the annual report as well as in the report on financing the integrated technical cooperation programmes in developing countries (IDB.22/3), the integrated programmes have rather different funding and funds mobilization requirements as compared with traditional stand-alone projects. Various components are funded by different sources of funds, not always at the right time, and some components that are essential to the overall programme structure and that should provide important complementary support to funded components may not attract funding in time. In order to ensure a rapid start and keep the programme integrated, UNIDO requires a certain volume of "programmable" funding—resources that UNIDO can flexibly allocate.

7. Some progress has been made in consultations with donors on programmable contributions. After the initial Danish contribution to the Industrial Development Fund (IDF) of approximately $2 million for sub-Sahara Africa countries in 1998 which has continued on an annual basis, others have followed. In 2000 the United Kingdom made available $1 million, as announced to the General Conference in December 1999. More recently, Austria announced to the twenty-second session of the Board a contribution of 1 million euros, and Ireland contributed almost $120,000 targeted at its six priority countries. In addition, several other countries have continued with annual contributions to the programmable component of IDF. Together with the $4.4 million that became available from the unutilized balances, 1992-1993 and 1996-1997, with the adoption by the General Conference of resolution GC.8/Res.4, UNIDO does have available in 2000 over $10 million in programmable funds, representing approximately two-thirds of what would be required per year. Consultations will continue with other donors with a view to reaching the approximately $15 million required per year.

8. Efforts continue to work with both donor and recipient Governments to mobilize special-purpose funds for the integrated programmes from a variety of sources, as outlined in document IDB.22/3. It is anticipated that the volume mobilized in 2000 from donor Governments will exceed the level reached in 1999.

III. UTILIZATION OF FUNDS RESULTING FROM RESOLUTION GC.8/RES.4

9. In document IDB.22/8 the Director-General reported in detail on the amount that became available as a result of the adoption by the General Conference of resolution GC.8/Res.4. The total amount available is $4,405,323. In the resolution, the Conference requested the Director-General to report to the Board at its twenty-third session, through the Programme and Budget Committee, on the utilization of those funds.

10. In view of the situation described in paragraph 7 above, the amount resulting from the unutilized balances is being programmed in the context of the overall situation with respect to programmable funds, taking into account the specific needs of programmes, the requirement that the funds are to be used before 30 June 2001, and the various stipulations related to the other programmable funds. As the Director-General informed the Board in May 2000, to ensure an optimum allocation of programmable resources, an analysis was made of the integrated programmes with respect to their potential of achieving impact. The process of issuing allotments to the various programmes started after this analysis was completed, and is continuing. An up-to-date and complete overview of allotments made to the various programmes within the overall context of programmable resources allocation will be made available to the Programme and Budget Committee during its sixteenth session.

V. GLOBAL ENVIRONMENT FACILITY

11. Since the adoption of resolution GC.8/Res.2 by the General Conference in December 1999, a number of activities have taken place aimed at establishing a framework for future joint projects and programmes. In document IDB.22/4 the Director-General reported to the Board on progress in the implementation of that resolution.

12. The activities reported in that document have continued with the purpose of presenting to the GEF Secretariat, in the first place, and to other potential partner organizations such as UNDP and the World Bank, UNIDO's strategy as well as experience in implementing GEF programmes, particularly in the three areas in which UNIDO may be involved as a suitable counterpart: climate change, international waters, and biodiversity. Further promotional missions have been undertaken to selected donor countries to discuss the role of UNIDO and on specific areas of potential UNIDO involvement (persistent organic pollutants and energy). Missions have also been undertaken to a number of developing countries in Asia, Africa and Latin America, where ongoing as well as pipeline projects are being implemented or identified.

13. As a follow-up to earlier presentations (IDB.22/4, chap. I), a further briefing in May reported to Permanent Missions on recent progress, including activities and projects carried out or approved. In addition to a project in India for coal bed methane recovery approved in March, an interregional project for cleaner production was approved within the framework of the UNDP/GEF programme on transboundary environmental issues in the Caspian environment programme.

14. In addition, a number of awareness-raising meetings are being planned, targeting UNIDO field staff as well as key officials and GEF focal points in developing countries. In view of the priority given to the African region in UNIDO programmes, the first such meeting is tentatively planned in an African country before the end of the current year.

15. Finally, thanks to the concerted efforts of Permanent Missions and UNIDO staff, the GEF Council recently approved the proposal of the Chairman to expand opportunities for executing agencies beyond the regional development banks and to include UNIDO and the Food and Agriculture Organization of the United Nations (FAO) in that category. This will certainly help to increase cooperation between UNIDO and GEF in a number of areas, particularly in the case of persistent organic pollutants (POPs).

V. ACTION REQUIRED OF THE COMMITTEE

16. The Committee may wish to consider recommending to the Board the adoption of the following draft decision:

"The Industrial Development Board:

"(a) Takes note of the information contained in document IDB.23/5-PBC.16/6;

"(b) Decides to delegate to the Director-General the authority to approve projects for financing under the Industrial Development Fund in 2001 and 2002 in accordance with the information contained in chapter I of that document;

"(c) Encourages Member States and other donors to increase their voluntary contributions to UNIDO and specifically to the Industrial Development Fund;

"(d) Also encourages all donors to consider contributing programmable funds, specifically to enable UNIDO to implement the integrated programmes in a coordinated manner and achieve the synergy and increased impact envisaged in the integrated programme concept ;

"(e) Further encourages all Member States to facilitate access to funds available from bilateral sources to finance the implementation of components of integrated programmes matching the bilateral cooperation priorities;

"(f) Encourages Governments of recipient countries to play a more active role in sharing with UNIDO the responsibility to mobilize funds for jointly-developed integrated programmes and other high-priority activities from sources available to them."